

REPORT OF THE SERVICE DIRECTOR – IMPROVEMENT**IMPROVEMENT PROGRAMME PHASE II****Purpose of the Report**

1. The purpose of this report is to seek approval to the proposed approach and content of phase II of the Improvement Programme.

Information and Advice**Background**

2. The Improvement Programme was established in February 2010 to support the organisation in meeting a significant and unprecedented budget challenge. Between 2010 and 2013, savings of £180m needed to be found, of which £70m would be reinvested in priority services. In addition to supporting the delivery of budget savings, the Programme has also supported improvements in services and helped to drive out inefficiency and target resources, so that the impact of budget reductions on service delivery was minimised.
3. At its meeting in June 2012, Policy Committee received a report outlining the Programme's progress over the previous 18 months, together with an overview of the programme team's activity and details of a number of case studies that identified how the programme team works with other parts of the Council in delivering the Programme.

Future direction

4. Whilst the approach taken to date has delivered excellent results, the exceptionally difficult financial situation facing all public bodies now requires a major change in approach that will deliver genuine transformation in the way that services are designed and delivered. Phase II of the Improvement Programme seeks to put in place a more strategic, integrated approach that will provide firm building blocks on which future decisions on service design and delivery can be made. At the heart of this approach is a shift in focus away from managing a large number of individual projects that are designed around delivering specific savings targets, towards applying a strategic improvement framework that uses a number of approaches to transform how whole services are delivered. This will ensure maximum efficiency and hence substantial cost reductions. Without such transformation, the Authority will have no choice but to drastically reduce services.

5. To date, the Programme has been developed and delivered through a combination of Improvement Programme Team and service department resources, with external support being secured as required. This model has proved to be both efficient and successful in delivering individual projects and in providing the robust, independent oversight and challenge that is required. It is therefore proposed to continue that approach and confirm the role of the Improvement Programme Team as being to facilitate service transformation by providing independent challenge, oversight and resources. It should be recognised that meeting the Authority's financial requirements is the responsibility of the whole Authority and the Improvement Programme is a support programme to assist delivery.
6. If Members approve the proposals for phase II of the Programme, as set out in this report, a further report will be brought to Policy Committee to consider future funding and staffing arrangements for the Improvement Programme Team.

Strategic Improvement Framework

7. The intention of the strategic improvement framework is to provide a comprehensive set of improvement tools, as set out in the following paragraphs, that will be applied to the review and redesign of all of the Council's services over a period of time. Some elements of the framework are more advanced than others and a key priority for the Programme over the next few months will be to develop detailed plans for their future deployment. A further report will be brought to Policy Committee in the New Year.
8. **Strategic commissioning** – is the process by which the organisation decides what services are needed to deliver the outcomes it wants to achieve. It involves assessing and understanding needs and desired outcomes, optimising resources and choosing the right delivery mechanisms. A strategic commissioning approach will help clarify the priorities for each service and what the future core service offer should be, taking into account:
 - a. the Council's strategic priorities
 - b. changing customer needs
 - c. the relevant legislative framework
 - d. social and technological developments
 - e. the need to provide good value for money

A strategic commissioning framework for the whole Council will be developed by February 2013 and operational for the 2013/14 financial year.

9. **Base budget review** – recognising that the original basis of allocating budgets for individual services were established many years ago, work has commenced on a base budget review that will clarify how individual service budgets are constructed, how relevant they now are to the actual cost of providing the service and where there may be under- or over-allocation of funding. This work will also provide a basis for understanding and comparing costs, both across the Council and with other councils. A pilot is under way, which will inform the methodology and the plans for a wider roll-out of this process during the remainder of 2012. The review is expected to be completed early in the New Year. This process will highlight those areas of high cost, allowing prioritisation of areas for whole service review.

10. **Performance management framework** – the Council's performance management framework was developed some years ago, at a time when performance reporting was shaped around national requirements. Whilst there have been some changes over recent years, there is a need for further work to modernise our approach and ensure that it is consistent with the context within which we are now operating. In particular, there is a need to review our business planning process to ensure that it links with the new strategic commissioning cycle and drives future improvement. There is also a need to integrate arrangements for performance and financial monitoring. A revised performance management framework will be developed by the end of December 2012.
11. Taken together, the strategic commissioning framework, base budget review and performance management framework will define WHAT services are delivered and provide a means of measuring and monitoring their cost and quality. The following tools will change HOW services are delivered to ensure that they are as effective and efficient as possible.
12. **End to end process improvement** – over recent years, process improvement has taken place in many services and this has proved effective in driving out inefficiency. However, this has been done very much at a local level, using different methods and with limited deployment of trained employees beyond the immediate service area. It is proposed that this approach be built on by adopting a common method (LEAN+) across the organisation and developing a corporate resource, based within the Improvement Programme Team. This will provide capacity to support training and skills transfer across service departments, as well as being able to support full “end to end” process reviews that avoid making efficiencies in one part of the process that cause problems elsewhere.
13. **Customer access** – one of the Council's strategic priorities is to put the customer at the heart of everything we do. This will provide a key driver for our improvement work going forward and the provision of alternative access channels, including the ability to directly access services on the internet where appropriate, will contribute to a better customer experience as well as reducing the cost of providing services. Initial work is required to develop the methodology and technical capability that will subsequently be applied to relevant services.
14. **Demand management** – Members will be aware that one of the key drivers for cost increases is increasing customer demand. This may arise from demographic changes or from changes in public expectations and awareness. Work is progressing well on developing a clearer understanding of what causes people to access the Council's services and working with partners to put in place measures that minimise demand for higher-cost services by acting earlier to prevent problems arising. There is also a recognition that we need to be more proactive in communicating the nature and level of services that should be expected to meet a particular set of circumstances and working with partners to ensure that consistent messages are given.
15. **ICT optimisation** – significant progress has been made in the last two years on ensuring that our ICT infrastructure is fit for purpose and provides a platform from which the most up to date ICT tools can be deployed. Within the Ways of Working programme, there is an emphasis on standardisation of ICT equipment and applications to maximise flexibility in the use of work space. Moving forward, the improvement framework will ensure that there is an integrated approach to considering how technology can be used to improve efficiency and

effectiveness, whether at a service level (for example, self-service technology in libraries), or across particular worker groups (for example, mobile devices for social workers).

16. **Overhead optimisation** – budget reductions to date have been concentrated on the Council's overheads, ie those activities that do not directly deliver services to the public. However, it is recognised that there is still further work to be done on ensuring that these activities are as efficient as possible and that they are designed to add value to the Council's performance. The implementation of the Business Management System provides a significant opportunity to carry out a programme of fundamental reviews of processes that operate across the organisation, using the process improvement approach outlined above, to ensure consistency and maximise efficiency. This needs to be carried out alongside a re-commissioning process that defines the future objectives and required outcomes for core overhead functions.
17. **Procurement** – building on the work that has already been done to improve our procurement arrangements, we will use the strategic commissioning framework to develop long term category and market development strategies, as well as introducing a stronger commercial element to the Council's approach to contract negotiations and management.
18. **Organisational design principles** – considerable progress has already been made on applying an agreed set of organisational design principles to our management structures. However, there is scope for further rationalisation and these principles will continue to be applied to any structure proposals arising from future work.
19. Some of these techniques have been applied to some services already. However, the key to making fundamental change is taking a "whole Council" approach, by applying them in a structured and integrated way to whole service areas. The Highways Improvement Programme provides an example of how this integrated approach is contributing to the redesign of the service. Change is being delivered through a combination of process improvement, organisational re-design, procurement activity and improvements in customer access and experience.
20. The robust application of the strategic improvement framework will deliver significant budget reductions by re-focussing service provision and driving out inefficiency. These reductions will be quantified and reported as part of the process for developing the medium term financial strategy.

Governance arrangements

21. Whilst the previously agreed governance arrangements operated adequately, the move into phase II of the Programme requires a different approach. In view of the shift in emphasis to longer-term transformation, the officer-level governance structures around the Programme have been reviewed to ensure that they are fit for purpose. Following this review, it is proposed that the existing range of individual project and programme boards be rationalised down to four transformation boards. Three of these will be established as Service Transformation Boards that oversee the application of the strategic improvement framework to specific service areas. The fourth will operate as a Business Transformation Board that oversees the cross-cutting aspects of the Programme. Ownership of individual projects will

rest with senior service management, supported by the Improvement Programme Team, and they will be accountable for the delivery of projects within their services.

22. Monitoring and reporting arrangements will be modified to support the revised arrangements. This will include ensuring that there is appropriate and consistent reporting to the relevant Service Committees, with consolidated progress reports to Policy Committee.
23. There will be a structured process for initiating, planning and resourcing individual projects, which is set out at Appendix A.

Next steps

24. The priority actions between now and the end of 2012 are:
 - a. Develop a draft strategic commissioning framework
 - b. Complete the pilot base budget reviews
 - c. Develop a revised performance management framework
 - d. Undertake training in LEAN+ approach and pilot its application in two service areas
 - e. Develop implementation framework for customer access strategy
 - f. Identify priority areas for whole service reviews
 - g. Create new Transformation Boards and disestablish existing boards
25. The transition into phase II of the Improvement Programme must not detract from the need to maintain momentum on delivering the existing Improvement Programme projects that were approved and commenced in 2010/11, or have been identified as priorities since then. These projects are listed in Appendix B, along with a brief statement on their current status.

Other Options Considered

26. None.

Reason/s for Recommendation/s

27. Activity that falls within the remit of the Improvement Programme forms a significant element of the transformation of the County Council and it is therefore appropriate that Members are regularly updated on the Programme's activity.

Statutory and Policy Implications

28. This report has been compiled after consideration of implications in respect of finance, equal opportunities, human resources, crime and disorder, human rights, the safeguarding of children, sustainability and the environment and those using the service and where such implications are material they are described below. Appropriate consultation has been undertaken and advice sought on these issues as required.

RECOMMENDATION

29. That Policy Committee approves the approach and content of phase II of the Improvement Programme, as set out in the body of the report.

Deborah Hinde
Service Director - Improvement

For any enquiries about this report please contact: Deborah Hinde, extension 73804

Constitutional Comments (JFW 04/10/2012)

30. Policy Committee is the appropriate Committee to decide the issues set out in the report as responsibility for the Improvement Programme falls within Policy Committee's terms of reference.

Financial Comments (PDS 08/10/2012)

31. The latest medium term financial forecast suggests that the County Council may have to find in excess of £110m of savings over the 3 year period 2014/15 – 2016/17. These savings are on top of the £180m of savings identified since 2010. The next phase of the Improvement Programme will play a critical role in helping identify ways in which this target can be delivered, whilst at the same time minimising the impact on service delivery.

32. The Improvement Programme itself is being funded from an earmarked reserve of £18m, which will be used to support the implementation of the various strands of work outlined in this report and any future projects.

Background Papers

Except for previously published documents, which will be available elsewhere, the documents listed here will be available for inspection in accordance with Section 100D of the Local Government Act 1972.

One Council-One Business-One Plan: Improvement Programme: Report to County Council 25 February 2010 (previously published)

Electoral Division(s) and Member(s) Affected

ALL